



## North Carolina Department of Health and Human Services

Pat McCrory  
Governor

Richard O. Brajer  
Secretary

March 1, 2016

### SENT VIA ELECTRONIC MAIL

The Honorable Nelson Dollar, Co-Chair  
Joint Legislative Oversight Committee on  
Medicaid and NC Health Choice  
North Carolina General Assembly  
Room 307B, Legislative Office Building  
Raleigh, NC 27603-5925

The Honorable Ralph Hise, Co-Chair  
Joint Legislative Oversight Committee on  
Medicaid and NC Health Choice  
North Carolina General Assembly  
Room 1026, Legislative Building  
Raleigh, NC 27601-2808

The Honorable Donny Lambeth, Co-Chair  
Joint Legislative Oversight Committee on  
Medicaid and NC Health Choice  
North Carolina General Assembly  
Room 303, Legislative Office Building  
Raleigh, NC 27603-5925

Dear Chairmen:

Session Law 2015-245 Section 5 (12) directs the North Carolina Department of Health and Human Services (DHHS) to report to the Joint Legislative Oversight Committee for Medicaid and NC Health Choice (JLOC) by March 1, 2016, on the state's plan to transform and reorganize North Carolina's Medicaid and NC Health Choice programs to ensure quality care to those in need while providing improved budget predictability for the taxpayers of our state. I am pleased to present to you this report on our Medicaid reform plan, which details DHHS' work to date and our plans moving forward to meet these important objectives.

In September 2015, thanks to the leadership of Governor Pat McCrory and the efforts of the General Assembly, North Carolina enacted legislation for historic reform of its Medicaid program. This proposal is the product of nearly three years of stakeholder engagement and planning, and an important step to accomplishing the joint vision of Governor McCrory and the General Assembly. The plans outlined in the report and accompanying Section 1115 demonstration draft waiver application (Section 1115 Waiver) build on what works in North Carolina by bringing innovation and new tools into the health system to ensure the system puts people first, and rewards health plans and providers for making beneficiaries healthier while containing costs. It meets the goals of the legislation by creating a North Carolina solution for Medicaid beneficiaries.

Medicaid reform will provide incentives to medical professionals for improved patient outcomes. It transforms the state from a fee-for-service, or volume-based system, to one that pays plans a set amount

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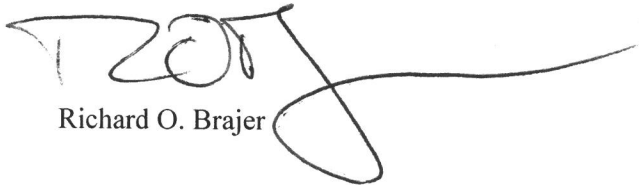
for each enrolled person for a specific time period, providing increased budget predictability to the State. These changes will drive increased patient and clinician engagement and lead to healthier communities.

As mentioned, submission of this report today is a step in implementing our shared vision for transforming Medicaid in North Carolina. On June 1, 2016, the State will submit its Section 1115 Waiver application to the Centers for Medicare & Medicaid Services (CMS), the federal agency that works in partnership with state governments to administer Medicaid, for its approval.

In our preparation of this report and draft application, DHHS has proactively sought input from, and listened to, key stakeholders from across the state – including physicians, beneficiaries, beneficiary advocates, provider associations, hospitals, and many more. In fact, DHHS met with more than 50 stakeholder groups multiple times and collected written feedback for consideration in the development of this report and the Section 1115 Waiver. Additionally, over the next two months, DHHS will collect public comments and hold a series of listening sessions across the state to continue gathering feedback from citizens and other stakeholders, including legislators. While there are a number of decisions yet to be made, DHHS is dedicated to working with diverse stakeholders to develop a balanced, North Carolina-specific approach.

I appreciate your ongoing commitment to the health and well-being of North Carolinians and I look forward to continuing to work with you and your colleagues on reforming Medicaid and NC Health Choice.

Sincerely,

A handwritten signature in dark ink, appearing to read 'R. Brajer', with a long horizontal flourish extending to the right.

Richard O. Brajer

Cc: Andy Munn  
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